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INFORMAT

COUNTRY Germany (Russian Zone)

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SUBJECT

Plans for Tax Reform

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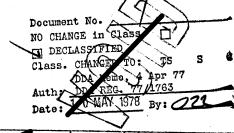
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SUPPLEMENT TO REPORT NO.

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Well informed financial circles now believe, contrary to previous predictions, that a tax reform will actually be introduced in the Soviet zone of Germany; it is expected that the new tax law will be announced to the public on 1 January 1949.

- The main feature of the tex reform concerns a change of the levies on income from salaries and wages, while the corporation tax will remain unchanged. Although the new tax law will tend to create the impression that the tax on wages and salaries has been cut in a manner similar to the system adopted in the western zones, it is actually a means of forcing an increasing number of housewives and children to become wage earners. From now on, childless couples are no longer entitled to exemptions of any kind, but must pay income tax on their entire earnings. Neither will married women with children above three years of age be entitled to tax exemptions. This point has not been definitely settled yet, and there is a possibility that the age limit of children might be raised for possibility that the age limit of children might be raised for exemption purposes from three to six or eight years. No exemptions whatsoever will be granted for children above eighteen years of
- In order to be able to call the new tax law a "social measure" special privileges will be granted to disabled persons, regardless of their family status. These persons, in addition to their regular benefits, will be entitled to certain tax reductions for the income of their wives. Furthermore, wage earners over 65 years of age will be accorded special tax reductions.



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